

Message Text

CONFIDENTIAL

PAGE 01 STATE 174089
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/EGY:CAKENNEDY:MM
APPROVED BY NEA:N A VELIOTES
AID/NE/EI:G KAMENS
AID/NE:J WHEELER (DRAFT)
S/S-O:SVALERGA

-----080649 110224Z /66

O P 110209Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI IMMEDIATE
AMEMBASSY CAIRO IMMEDIATE
AMEMBASSY JIDDA IMMEDIATE
INFO AMEMBASSY DOHA PRIORITY
USLO RIYADH PRIORITY

C O N F I D E N T I A L STATE 174089

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EAID, EG, US

SUBJECT: ARAB AID TO EGYPT

REF: A. CAIRO 15990, B. PARIS 19398, C. KUWAIT 3694
D. KUWAIT 3788

1. RECALLING PREVIOUS INSTRUCTIONS AND ADDRESSEES' CON-
VERSATIONS WITH HOST GOVERNMENT OFFICIALS ON ARAB AID TO
EGYPT, WE BELIEVE WE HAVE NO ALTERNATIVE BUT TO ASK ACTION
ADDRESSEES TO RAISE ISSUE AT POLITICALLY SENSITIVE LEVEL
BEFORE THE JULY 15 MEETING OF GODE GOVERNORS. OUR OWN
CONGRESSIONAL SUPPORT FOR CONTINUED HIGH AID LEVELS WILL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 174089

BE HARDER TO SUSTAIN UNLESS ARAB DONORS COME FORWARD SOON,
ESPECIALLY IF SUCH DELAYS CAUSE EGYPT TO TAKE UNECONOMIC
ACTIONS, E.G. RESORT TO SHORT TERM CREDIT LINES.

2. REFTELS SPELL OUT IN SOME DETAIL EGYPT'S AID REQUIRE-
MENTS THIS YEAR AND GODE'S RELUCTANCE TO DATE TO MAKE
EXPLICIT COMMITMENT OF NEW BALANCE OF PAYMENTS AID NEEDED

TO COVER ESTIMATED DOLS 650 MILLION GAP FOR REST OF CY 1978. IN SUM, EGYPT NEEDS NEW AID COMMITMENTS FROM GODE OF ROUGHLY DOLS ONE BILLION FOR BALANCE OF CY 1978, WITH DISBURSEMENTS FROM THIS AID OF ABOUT HALF A BILLION THIS YEAR, AND BALANCE OF DISBURSEMENTS NEXT YEAR.

3. EMBASSIES MAY DRAW ON FOLLOWING POINTS IN RAISING ISSUE WITH HOST GOVERNMENTS:

A. RECENT CONSULTATIVE GROUP MEETING IN PARIS WAS SUPPORTIVE OF EGYPT'S NEEDS AND THE DIRECTION IT IS MOVING TO CORRECT ITS ECONOMIC IMBALANCES. DONORS SEEMED TO RECOGNIZE THAT CONTINUED SUPPORT IS NECESSARY IF EGYPT IS TO PURSUE ITS ECONOMIC MANAGEMENT AND DEVELOPMENTAL GOALS AND TO CONTINUE TO STRENGTHEN ITS DOMESTIC STRUCTURE.

B. BOTH THE IMF AND THE IBRD HAVE ESTIMATED THAT EGYPT'S UNCOVERED FINANCIAL NEEDS THIS YEAR AMOUNT TO ABOUT \$650 MILLION AND THAT EGYPT NEEDS A MIX OF CASH, COMMODITY FINANCING AND PROJECT COMMITMENTS IF IT IS TO SUSTAIN AND IMPROVE ITS FINANCIAL CONDITION.

C. THE UNITED STATES AND THE ARAB DONORS SHARE COMMON OBJECTIVES IN AIDING EGYPT. NEITHER THE UNITED STATES NOR EGYPT'S OTHER MAJOR DONORS WANT TO UNDERMINE SADAT'S CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 174089

POSITION BY WITHHOLDING SUPPORT WHICH COULD BE INTERPRETED AS A CHANGE IN THE DONORS' POLICIES.

D. THE UNITED STATES IS ABLE TO MAINTAIN HIGH LEVELS OF ECONOMIC ASSISTANCE PARTLY BECAUSE THE ARAB NATIONS ARE GENEROUS IN THEIR EFFORTS TO HELP EGYPT. IF ARAB AID WERE NOT FORTHCOMING AS IT HAS BEEN IN THE PAST, EFFORTS OF OTHER DONORS COULD BE AFFECTED ADVERSELY.

E. WE ARE HOPEFUL THAT GODE WILL MAKE KNOWN ITS AID LEVELS SOON AND THAT THIS AID WILL TAKE INTO ACCOUNT EGYPT'S NEEDS FOR VARIOUS TYPES OF FINANCING AS OUTLINED BY THE WORLD BANK.

F. IF GOVERNMENTS RAISE THE ISSUE OF NOT WANTING TO BE EGYPT'S SOURCE OF LAST RESORT, YOU MAY POINT OUT THAT GODE APPARENTLY HAS ELECTED ITSELF TO THIS POSITION. WE HAVE URGED GODE AND OTHER ARAB DONORS TO MAKE THEIR AID TO EGYPT AVAILABLE ON MORE REGULAR AND CONSISTENT BASIS. WE REALIZE THAT GODE MAY HAVE DELAYED ADDITIONAL AID COMMITMENTS FOR CY 1978 UNTIL GOE-IMF AGREEMENT IN PLACE. ARAB ROLE IN HOLDING OFF NEW AID TO INSURE PROGRESS IN

IMF-GOE NEGOTIATIONS MAY HAVE BEEN SIGNIFICANT. ALSO, GODE MEMBERS WANTED IBRD ESTIMATES ON FINANCIAL NEEDS BEFORE DECIDING ON AID LEVELS. NOW, AS URGED BY U.S. AT PARIS CG MEETING, ALL CG DONORS SHOULD QUOTE STAY THE COURSE UNQUOTE AT THIS CRUCIAL TIME FOR EGYPT, AND IT IS MOST IMPORTANT THAT ARAB DONORS SIGNAL THEIR INTENT TO DO THIS.

G. EMBASSIES ALSO MAY WISH TO POINT OUT THAT U.S. STILL PUTTING ONE HALF OF ITS NEW AID COMMITMENTS IN ESSENTIALLY BOP SUPPORT (PL 480 AND COMMODITIES IMPORT PROGRAM), AND THAT ABOUT 85 PERCENT OF U.S. AID DISBURSEMENTS THIS YEAR WILL COME FROM THIS SUPPORT. WHILE U.S. RECOGNIZES KUWAITI AND OTHER GODE DONORS' INTEREST IN SHIFTING TO

CONFIDENTIAL

PAGE 04 STATE 174089

PROJECT AID, WE BELIEVE IT ESSENTIAL THAT SUCH SHIFT BE GRADUAL AND DONE IN SUCH A WAY THAT DISBURSEMENT LEVELS WILL BE ADEQUATE DURING THE NEXT SEVERAL CRUCIAL YEARS.

4. FYI: WORLD BANK SHARES U.S. CONCERN RE NEED FOR GODE DONORS TO MAKE TIMELY COMMITMENT NOW. IBRD VICE PRESIDENT FOR NEAR EAST BENJENK HAS URGED GOE (THROUGH AMBASSADOR GHORBAL AT EMBASSY HERE) TO MAKE STRONGEST POSSIBLE CASE TO GODE FOR NEW AID COMMITMENTS. BENJENK HAS ALSO URGED U.S. TO USE GOOD OFFICES WITH PARTIES INVOLVED TO FACILITATE POSITIVE REACTION FROM ARAB DONORS. END FYI.

5. REQUEST EMBASSIES APPROACH APPROPRIATE HIGH LEVEL, POLITICALLY ORIENTED OFFICIALS BEFORE THE JULY 15 MEETING.

6. FOR CAIRO: WHILE WE HAVE ASKED EMBASSY KUWAIT MAKE APPROACH OUTLINED ABOVE, IN LIGHT REF D, BELIEVE IT NECESSARY FOR YOU TO ADVISE GOE THAT WE BELIEVE A DIRECT HIGH LEVEL EGYPTIAN APPROACH TO KUWAIT, I.E. SADAT TO AMIR, IF KUWAIT IS TO BE BUDGED ON THIS SUBJECT. VANCE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 STATE 174089
ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

66011

DRAFTED BY:NEA/EGY:CAKENNEDY

APPROVED BY: NEA/EGY:CEMARTHINSEN

SXS-O:MKENNEDY

-----104379 121029Z /10

R 112200Z JUL 78

FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 174089

EXDIS

FOLLOWING REPEAT STATE 174089 ACTION ABU DHABI CAIRO JIDDA
INFO DOHA RIYADH DATED JUL 11:

QTE: C O N F I D E N T I A L STATE 174089

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EAID, EG, US

SUBJECT: ARAB AID TO EGYPT

REF: A. CAIRO 15990, B. PARIS 19398, C. KUWAIT 3694
D. KUWAIT 3788

1. RECALLING PREVIOUS INSTRUCTIONS AND ADDRESSEES' CON-
VERSATIONS WITH HOST GOVERNMENT OFFICIALS ON ARAB AID TO
EGYPT, WE BELIEVE WE HAVE NO ALTERNATIVE BUT TO ASK ACTION
ADDRESSEES TO RAISE ISSUE AT POLITICALLY SENSITIVE LEVEL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 174089

BEFORE THE JULY 15 MEETING OF GODE GOVERNORS. OUR OWN
CONGRESSIONAL SUPPORT FOR CONTINUED HIGH AID LEVELS WILL
BE HARDER TO SUSTAIN UNLESS ARAB DONORS COME FORWARD SOON,
ESPECIALLY IF SUCH DELAYS CAUSE EGYPT TO TAKE UNECONOMIC
ACTIONS, E.G. RESORT TO SHORT TERM CREDIT LINES.

2. REFTELS SPELL OUT IN SOME DETAIL EGYPT'S AID REQUIRE-
MENTS THIS YEAR AND GODE'S RELUCTANCE TO DATE TO MAKE
EXPLICIT COMMITMENT OF NEW BALANCE OF PAYMENTS AID NEEDED
TO COVER ESTIMATED DOLS 650 MILLION GAP FOR REST OF CY
1978. IN SUM, EGYPT NEEDS NEW AID COMMITMENTS FROM GODE
OF ROUGHLY DOLS ONE BILLION FOR BALANCE OF CY 1978, WITH
DISBURSEMENTS FROM THIS AID OF ABOUT HALF A BILLION THIS

YEAR, AND BALANCE OF DISBURSEMENTS NEXT YEAR.

3. EMBASSIES MAY DRAW ON FOLLOWING POINTS IN RAISING
ISSUE WITH HOST GOVERNMENTS:

A. RECENT CONSULTATIVE GROUP MEETING IN PARIS WAS SUPPORTIVE OF EGYPT'S NEEDS AND THE DIRECTION IT IS MOVING TO CORRECT ITS ECONOMIC IMBALANCES. DONORS SEEMED TO RECOGNIZE THAT CONTINUED SUPPORT IS NECESSARY IF EGYPT IS TO PURSUE ITS ECONOMIC MANAGEMENT AND DEVELOPMENTAL GOALS AND TO CONTINUE TO STRENGTHEN ITS DOMESTIC STRUCTURE.

B. BOTH THE IMF AND THE IBRD HAVE ESTIMATED THAT EGYPT'S UNCOVERED FINANCIAL NEEDS THIS YEAR AMOUNT TO ABOUT \$650 MILLION AND THAT EGYPT NEEDS A MIX OF CASH, COMMODITY FINANCING AND PROJECT COMMITMENTS IF IT IS TO SUSTAIN AND IMPROVE ITS FINANCIAL CONDITION.

C. THE UNITED STATES AND THE ARAB DONORS SHARE COMMON OBJECTIVES IN AIDING EGYPT. NEITHER THE UNITED STATES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 174089

NOR EGYPT'S OTHER MAJOR DONORS WANT TO UNDERMINE SADAT'S POSITION BY WITHHOLDING SUPPORT WHICH COULD BE INTERPRETED AS A CHANGE IN THE DONORS' POLICIES.

D. THE UNITED STATES IS ABLE TO MAINTAIN HIGH LEVELS OF ECONOMIC ASSISTANCE PARTLY BECAUSE THE ARAB NATIONS ARE GENEROUS IN THEIR EFFORTS TO HELP EGYPT. IF ARAB AID WERE NOT FORTHCOMING AS IT HAS BEEN IN THE PAST, EFFORTS OF OTHER DONORS COULD BE AFFECTED ADVERSELY.

E. WE ARE HOPEFUL THAT GODE WILL MAKE KNOWN ITS AID LEVELS SOON AND THAT THIS AID WILL TAKE INTO ACCOUNT EGYPT'S NEEDS FOR VARIOUS TYPES OF FINANCING AS OUTLINED BY THE WORLD BANK.

F. IF GOVERNMENTS RAISE THE ISSUE OF NOT WANTING TO BE EGYPT'S SOURCE OF LAST RESORT, YOU MAY POINT OUT THAT GODE APPARENTLY HAS ELECTED ITSELF TO THIS POSITION. WE HAVE URGED GODE AND OTHER ARAB DONORS TO MAKE THEIR AID TO EGYPT AVAILABLE ON MORE REGULAR AND CONSISTENT BASIS. WE REALIZE THAT GODE MAY HAVE DELAYED ADDITIONAL AID COMMITMENTS FOR CY 1978 UNTIL GODE-IMF AGREEMENT IN PLACE. ARAB ROLE IN HOLDING OFF NEW AID TO INSURE PROGRESS IN IMF-GODE NEGOTIATIONS MAY HAVE BEEN SIGNIFICANT. ALSO, GODE MEMBERS WANTED IBRD ESTIMATES ON FINANCIAL NEEDS BEFORE DECIDING ON AID LEVELS. NOW, AS URGED BY U.S. AT PARIS CG MEETING, ALL CG DONORS SHOULD QUOTE STAY THE COURSE UNQUOTE AT THIS CRUCIAL TIME FOR EGYPT, AND IT

IS MOST IMPORTANT THAT ARAB DONORS SIGNAL THEIR INTENT TO DO THIS.

G. EMBASSIES ALSO MAY WISH TO POINT OUT THAT U.S. STILL PUTTING ONE HALF OF ITS NEW AID COMMITMENTS IN ESSENTIALLY BOP SUPPORT (PL 480 AND COMMODITIES IMPORT PROGRAM), AND THAT ABOUT 85 PERCENT OF U.S. AID DISBURSEMENTS THIS YEAR WILL COME FROM THIS SUPPORT. WHILE U.S. RECOGNIZES
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 174089

KUWAITI AND OTHER GODE DONORS' INTEREST IN SHIFTING TO PROJECT AID, WE BELIEVE IT ESSENTIAL THAT SUCH SHIFT BE GRADUAL AND DONE IN SUCH A WAY THAT DISBURSEMENT LEVELS WILL BE ADEQUATE DURING THE NEXT SEVERAL CRUCIAL YEARS.

4. FYI: WORLD BANK SHARES U.S. CONCERN RE NEED FOR GODE DONORS TO MAKE TIMELY COMMITMENT NOW. IBRD VICE PRESIDENT FOR NEAR EAST BENJENK HAS URGED GOE (THROUGH AMBASSADOR GHORBAL AT EMBASSY HERE) TO MAKE STRONGEST POSSIBLE CASE TO GODE FOR NEW AID COMMITMENTS. BENJENK HAS ALSO URGED U.S. TO USE GOOD OFFICES WITH PARTIES INVOLVED TO FACILITATE POSITIVE REACTION FROM ARAB DONORS. END FYI.

5. REQUEST EMBASSIES APPROACH APPROPRIATE HIGH LEVEL, POLITICALLY ORIENTED OFFICIALS BEFORE THE JULY 15 MEETING.

6. FOR CAIRO: WHILE WE HAVE ASKED EMBASSY KUWAIT MAKE APPROACH OUTLINED ABOVE, IN LIGHT REF D, BELIEVE IT NECESSARY FOR YOU TO ADVISE GOE THAT WE BELIEVE A DIRECT HIGH LEVEL EGYPTIAN APPROACH TO KUWAIT, I.E. SADAT TO AMIR, IF KUWAIT IS TO BE BUDGED ON THIS SUBJECT. VANCE UNQTE
CHRISTOPHER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ARAB STATES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE174089
Document Source: CORE
Document Unique ID: 00
Drafter: CAKENNEDY:MM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780282-0970
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780774/aaaacjvw.tel
Line Count: 314
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 19ebce77-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 CAIRO 15990, 78 PARIS 19398, 78 KUWAIT 3694, 78 KUWAIT 3788
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2049801
Secure: OPEN
Status: NATIVE
Subject: ARAB AID TO EGYPT
TAGS: EFIN, EAID, EG, US, TC
To: ABU DHABI CAIRO MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/19ebce77-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014